

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1938 – SB 2283

March 18, 2014

SUMMARY OF ORIGINAL BILL: Extends the property tax exemption for nonprofit housing for low-income elderly or disabled persons funded by a loan made, insured, or guaranteed by the federal government, after such loan is paid back.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – Exceeds \$600,000/FY15-16 to FY18-19
Exceeds \$2,000,000/FY19-20 to FY48-49
Exceeds \$2,200,000/FY49-50 and Subsequent Years

SUMMARY OF AMENDMENT (013944): Deletes all language after the enacting clause. Extends the property tax exemption for nonprofit housing for low-income elderly or disabled persons funded by a loan made, insured, or guaranteed by the federal government, after such loan is paid back. Requires owners of projects exceeding 12 units to agree to make payments in lieu of taxes (PILOT), not less than 25 percent of the amount of exemption, to the tax jurisdictions in which they are located. The provisions of the bill apply to applications approved after the effective date of this bill, applications pending or under appeal on the effective date, and to projects funded by loans whose exemptions are continued under the provisions of this bill.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Revenue – Exceeds \$450,000/FY15-16 to FY18-19
Exceeds \$1,500,000/FY19-20 to FY48-49
Exceeds \$1,650,000/FY49-50 and Subsequent Years

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. §67-5-207, eligibility for property tax exemption lasts only until such properties pay back their federal loan in full. The provisions of the bill would extend the current property tax exemption.
- According to the Comptroller of the Treasury (COT), there are 12 properties in Davidson County exempt under current law, representing approximately \$1,200,000 in

foregone local government property tax revenue. Under the current law, these properties would gradually return to the tax roll as each property's federally assisted loan is repaid.

- Based on information provided by COT, under current law by 2015 one of these properties will return to the tax roll, which would result in an increase in local government property tax revenue of approximately \$150,000 for Davidson County, and by 2019 two larger properties would return to the Davidson County tax roll resulting in an increase in local government property tax revenue of approximately \$500,000.
- COT estimates all 12 properties would be returned to the tax roll by 2049, which would result in an increase in local government property tax revenue of approximately \$550,000 (\$1,200,000 total assessed value - \$650,000 returned to tax roll) for Davidson County.
- The provisions of the bill would prevent such properties from returning to the property tax roll resulting in a recurring decrease in local government property tax revenue.
- Hamilton, Knox, and Shelby counties would experience similar decreases in local revenue.
- It is estimated the total recurring decrease in local government property tax revenue would exceed \$600,000 (\$150,000 x 4 total urban counties) in FY15-16, exceed \$2,000,000 (\$500,000 x 4 total urban counties) in FY19-20, and exceed \$2,200,000 (\$550,000 x 4 total urban counties) in FY49-50.
- The provisions of the bill as amended require such properties to enter into PILOT agreements of not less than 25 percent of the tax exemption with the taxing jurisdictions.
- The enactment of such PILOT agreements would result in an increase in local revenue exceeding \$150,000 (\$600,000 in exemptions x 25% PILOT payment) in FY15-16, exceeding \$500,000 (\$2,000,000 in exemptions x 25% PILOT payment) in FY19-20, and exceeding \$550,000 (\$2,200,000 in exemptions x 25% PILOT payments) in FY49-50.
- The net decrease in local government property tax revenue is estimated to exceed \$450,000 (\$600,000 decrease in revenue - \$150,000 increase in revenue) in FY15-16, exceed \$1,500,000 (\$2,000,000 decrease in revenue - \$500,000 increase in revenue) in FY19-20, and exceed \$1,650,000 (\$2,200,000 decrease in revenue - \$550,000 increase in revenue) in FY49-50.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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